



# Updates from the Field TECHNICAL NOTES

No. 5 Series of 2001  
<http://www.msh.org.ph>

## STRENGTHENING PROVINCIAL-MUNICIPAL PARTNERSHIPS THROUGH SUBGRANTING

### Background

The Province of Negros Occidental in the Visayas was among the first group of grantees under the Local Government Unit Performance Program (LPP) of the Department of Health. As an LPP grantee, the province was expected to achieve the project's benchmarks for child immunization, tetanus toxoid immunization, vitamin A supplementation, and contraceptive prevalence rate by the year 2000. As an incentive, all grantees that achieved the benchmarks before 2000 received premiums. This group of achievers, one of which was Negros Occidental, came to be known as the LPP Top Performers.

To maximize the use of its premium grant, Negros Occidental decided to subgrant 70% of the amount to selected municipalities and component cities in the province to enable them to expand and improve the delivery of their health services. Under the LPP, the Province of Pangasinan in Luzon was the first to embark on a subgranting initiative. Pangasinan shared its experience in implementing the initiative during a national summit attended by all Local Government Units participating in the LPP. Negros Occidental's Subgranting Program was launched shortly after the summit.

### The Experience with Subgranting in Negros Occidental

Building on the experience of Pangasinan and adopting the mechanism used by the Department of Health's Matching Grant Program, Negros Occidental initiated its Subgranting Program in 1999 through the leadership of the Provincial Health Office (See Box 1). To date, the province has provided subgrants to two groups of Local Government Units.



Signing of Memorandum of Agreement between the province and the municipality.

During the initial phase, the province solicited proposals from municipalities and component cities. Out of the 26 that were invited, 22 came back with proposals. Twelve Local Government Units subsequently became beneficiaries

under the first phase of Negros Occidental's Subgranting Program.

The selection of subgrantees was based primarily on the quality of the proposals, which means that the activities proposed for funding should generate demand, expand the delivery of sustainable, high-quality health services, and demonstrate measurable impact on service coverage within 12 months. It was also crucial that the Local Government Units (LGUs) commit counterpart funds equal to at least 25% of the total subgrant of PhP100,000 (US\$2,000) per LGU. Some LGUs gave more than 25%. For example, one subgrantee, La Carlota City, released PhP65,000 (US\$1,300), while another, the Municipality of Isabela, made available PhP50,000 (US\$1,000) in counterpart funds.

To ensure accountability, each subgrantee was required to designate a coordinator, open a separate trust fund account, and submit a quarterly progress and financial report. All subgrantees were also required to establish a community-based monitoring and information system like the one used in all Matching Grant Program areas.



**MATCHING GRANT PROGRAM**  
Department of Health

### Box 1: How the Subgranting Program Works

1. The Provincial Health Office (PHO) organized a series of exploratory meetings with Municipal and City Health Officers and mayors (February 1999).
2. The PHO conducted a program planning session to set the program vision, mission, and technical and financial guidelines (February 1999).
3. The province sent a letter to municipalities and component cities, informing them about the program and its mechanics and inviting them to submit proposals for funding (March 1999).
4. The PHO reviewed all submitted proposals based on the following criteria: (a) proposed activities should be new or expansions of current activities that aim to expand service delivery and (b) activities must show measurable increase in service coverage within a year (May 1999).
5. The PHO submitted the screening and evaluation results to the governor, specifying the criteria and the corresponding ranking of the Local Government Units (LGUs) based on the criteria (June 1999).
6. The governor's office sent a letter to all LGUs informing them of the results of the evaluation (June 1999).
7. The PHO met with the Municipal Health Officers of selected LGUs for preliminary orientation on the program and to discuss the orientation schedule for the rest of the key LGU officials (June 1999).
8. The PHO conducted individual orientation meetings for all grantee LGUs. In attendance were the mayor, vice-mayor, chairperson of the Committee on Health of the *Sangguniang Bayan* (City/Municipal Council), budget officer, accountant, auditor, health personnel, and *barangay* (village) captains. During these meetings, the mayors, if present, signed their respective memoranda of agreement (MOAs). If the mayors were not present, the MOAs were left with the respective Municipal Health Officers, with instructions to have the MOAs signed as soon as possible (July-August 1999).
9. The *Sangguniang Panlalawigan* (Provincial Council) passed a resolution authorizing the governor to enter into a memorandum of agreement with the grantee LGUs (October 1999).
10. The governor signed the MOAs (November 1999).
11. The PHO briefed all provincial department heads on the program to ensure their cooperation and facilitate processing of program-related documents (November 1999).
12. The Provincial Treasurer's Office released the funds to the subgrantees (December 1999).

For the second phase, Negros Occidental used its base grant savings from the LPP to provide funds to its lower-level units. The same eligibility criteria and requirements were applied (see Box 2). However, unlike in the first phase, when all subgrantees received the same amount, available resources were allocated based on need and on the LGU's commitment to improve

health services as demonstrated by its increasing health budget. Six LGUs received PhP150,000 (US\$3,000) each, while another six got PhP100,000 (US\$2,000) each.

### The Benefits of Subgranting

Both the province and municipalities/component cities regard subgranting as an effective mechanism for fostering stronger partnerships. It was noted that after devolution, the close alliance that used to characterize their relationship was somehow strained. The subgranting scheme enabled them to work together again in a coordinated fashion to achieve greater program impact.

From the point of view of the province, subgranting enabled it to achieve synergy in the use of available resources by focusing on priority activities. The budget for health, especially for drugs and medical supplies, generally increased (see Table 1) as a result of the advocacy efforts of the Provincial Health Office. Subgranting also paved the way for the Provincial Health Office to more systematically provide technical assistance to these units.

Meanwhile, the municipalities and component cities regard provincial subgranting of funds as a better mechanism than in-kind assistance. They feel that they have more flexibility under this arrangement, since they can use the funds to focus on priority initiatives that could not be funded out of their regular budget, including procurement of drugs and supplies. In short, the Subgranting Program empowered the municipalities and component cities to effectively implement interventions specific to their localities.

For instance, La Carlota City was able to upgrade its family planning clinic

### Box 2: Eligibility Requirements

1. Not qualified under the Matching Grant Program of the Department of Health;
2. Local Chief Executive (LCE) and other local officials committed to increasing service coverage;
3. The ability to submit a proposal that clearly indicates the LGU's program objectives, a set of activities to improve demand generation and delivery of high-quality services, and corresponding budget broken down by source;
4. Willingness of the LCE to enter into a Memorandum of Agreement with the provincial government; and
5. Willingness of the LGU to commit counterpart funds equivalent to 25% of the total subgrant.

and establish two satellite barangay family planning clinics using its subgrant. Another example is the Municipality of Isabela, which used its subgrant to conduct outreach activities and follow-up operations in hard-to-reach areas and to defray the costs of transporting clients to and from the hospital for tubal ligation.



... Orienting the LGU on the Subgranting Program.

... Local Chief Executive signing the Memorandum of Agreement.



La Carlota City's family planning clinic that was upgraded using the subgrant.

**Table I**  
**Health Budgets of Subgrantees (in PhP), 2000 and 2001**

LGU	2000			2001		
	Personnel	Maintenance & Other Operating Expenses	TOTAL	Personnel	Maintenance & Other Operating Expenses	TOTAL
1. Calatrava	4,058,955	845,500	4,904,455	4,167,352	1,000,500	5,167,852
2. Toboso	2,111,699	380,100	2,491,799	2,303,102	560,000	2,863,102
3. Victorias City	7,131,496	140,000	7,271,496	7,802,766	215,000	8,017,766
4. E. B. Magalona	2,063,847	154,000	2,217,847	2,263,062	163,000	2,426,062
5. La Carlota City	9,411,362	787,300	10,198,662	9,095,398	855,800	9,951,198
6. San Enrique	2,106,788	414,000	2,520,788	2,112,507	67,000	2,179,507
7. Hinigaran	6,279,903	111,000	6,390,903	6,782,083	111,000	6,893,083
8. Cauayan	9,046,799	897,300	9,944,099	9,425,339	857,000	10,282,339
9. La Castellana	1,177,438	32,000	1,209,438	n.a.	n.a.	n.a.
10. Sipalay	4,648,229	1,470,000	6,118,229	4,076,055	1,470,000	5,546,055
11. Isabela	3,370,604	500,000	3,870,604	3,700,059	800,784	4,500,843
12. Escalante	3,032,715	508,000	3,540,715	3,305,596	108,000	3,413,596

Source: Provincial Health Office, Negros Occidental

Notes: The budgets exclude the subgrant.

N.a.: not available





Municipal health staff of Isabela on their way to an outreach site.



... IEC session before actual service provision during an outreach activity.

## Sustaining the Initiative

Funds from the LPP will not be available beyond 2001. The challenge, therefore, is to sustain the subgranting initiative using Department of Health or provincial funds. Given greater flexibility in how LGUs can use funds and the opportunity to allocate provincial resources based on local priorities, the municipalities and component cities have regarded the Subgranting Program as a good mechanism for fostering stronger

partnerships between the province and the municipalities/component cities.

The share of national internal revenue taxes allocated to provinces, municipalities, cities, and barangays are 23%, 34%, 23%, and 20%, respectively. It may seem that municipalities are getting the lion's share but because there are about 1,525 municipalities nationwide and only 78 provinces and about 85 cities, each municipality's share is actually much lower than that of a single province or city. This is aggra-

vated by the fact that the actual share of each province, city, and municipality is also allotted based on population size and land area. This disadvantages the smaller municipalities because they absorbed most of the devolved national-level functions, including direct provision of health services. Collaboration among LGUs should, therefore, be continuously explored and encouraged to leverage more resources for health, particularly at the municipal level.

This publication was made possible through support provided by the U. S. Agency for International Development, under the terms of Contract No. 492-0480-C-00-5093-00. The opinions expressed herein are those of the author(s) and do not necessarily reflect the views of the U.S. Agency for International Development.

### Please address all inquiries to:

Management Sciences for Health  
Unit TN No. 4, 10/F Times Plaza Building  
U.N. Ave cor Taft Ave, Ermita, Manila, Philippines  
Tel. Nos: (632) 525-7145/52/56 Fax No.: (632) 525-6086  
E-mail: info@msh.org.ph